5. That at page 12, *for* lines 22 and 23, the following be substituted namely:—

Ord. 2 of 1995 "21 (1) The Industrial Development Bank of India (Amendment) Ordinance. 1995 in hereby repealed".

The motion was adopted.

Clause 21, *as amended, was added to the Bill.*

DR. BIPLAB DASGUPTA: In protest against this Bill we walk out... (*Interruptions*)... The BJP and the Congress are together on this issue ...(*Interruptions*)... (At this stage, some hon. Members left the chamber.)

Clause 1 (*SHORT TITLE AND COMMENCEMENT.*)

SHRI M. V. CHANDRASHEKARAR MURTHY: Madam, I beg to move:

2. That at page 1, line 4, *for* the figure "1994" the figure "1995" be substituted.

The motion was adopted.

Clause 1, *as amended was added to the Bill.*

ENACTING FORMULA

SHRI M. V. CHANDRASHEKARA MURTHY: Madam, I beg to move:

1. That at page 1, line 1, *for* the word "Forty-fifth" the word "Forty-sixth" be *substituted.*

The motion was adopted.

The Enacting formula, as amended was added to the Bill.

The Title was added to the Bill.

SHRI M. V. CHANDRASHEKARA MURTHY: Madam, I move:

That the Bill, as amended, be passed.

The question was put and the motion was adopted.

THE DEPUTY CHAIRMAN: Now we shall take up the Statutory Resolution. Shri Viren J. Shah.

I. STATUTORY RESOLUTION SEEKING DISAPPROVAL OF THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDER TAKING AMENDMENT ORDINANCE 1995 (NO. 4 OF 1995)

II. THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) AMENDMENT BILL, 1995.

SHRI VIREN J. SHAH (Maharashtra): Madam, I beg to move:

"That this House disapproves of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Ordinance, 1995 (No. 4 of 1995) promulgated by the President on the 21st January, 1995."

Madam, I find it as a matter of great agony that the Government has issued another Ordinance, I recall that—this is happening for the last eight session—you have also expressed your opinion against governance by Ordinances. (व्यवधान) सिंगला साहब, वैसे ही मंत्री जी जवाब नहीं दे पाते और आप अगर ऐसा करेंगे तो वह कोई भी जवाब नहीं दे पायेंगे । (व्यवधान)

Because of this in every session, we have to oppose the Ordinances. We are creating an impression as if the Government runs on Ordinance Raj. I also recall your comment that this should be avoided. The Ministers on the treasury benches also accepted that it should not be so. But we are not able to get a very saisfactory reply. Without

disrespect to anyone, I saw the performance of the hon. Minister just in the last half an hour. It gave an impression—and I hope my impression is wrong—that he had a prepared speech even before listening to the Members. That is why we saw that the Opposition had to do. It had to stage a walk-out.

SHRI JAGESH DESAI (Maharashtra): Madam, I am on a point of order. Madam, this kind of remarks against a Minister are in very bad taste. I feel my good friend, Mr. Viren J. Shah, will withdraw those remarks. They are in very, very bad taste.

DR. BIPLAB DASGUPTA (West Bengal): Madam, Mr. Shah is making a factual statement. What is wrong with it? He is making a factual statement.

SHRI VIREN J. SHAH: Madam, I am grateful to Mr. Jagesh Desai. But with great respect to him, I have to disagree with him. I don't think that my remarks are in bad taste. But I will not repeat it even though I feel like repeating it. When one listens to the Minister's reply, one gets the impression that his reply is not necessarily related to the points made by the Members in the House just before his speech. That is why I am doubly pained that in every session, it is my misfortune—and I feel it is the misfortune of some others also—that I have to attack the Ordinance Raj system that this Government has adopted. I have mentioned a number of times and also quoted from the Constitution of India particularly from the debates at the time when the Constitution was being framed in order to make out a case as to how only in exceptional cases the Government should resort to issuing of Ordinances. It shall be a matter which cannot wait and which needs immediate action; only then an Ordinance should be issued by the President. This is in the debates. Even in this session, there may be six or seven Ordinances. During the last session also, there were some Ordinances.

Now let us look at this particular Ordinance. The financial sector reforms were initiated in 1991 when this Government took over. The prudential guidelines for the banking sector came into effect in 1992. When you look at the Memorandum of Objents, you will find that this Ordinance was issued as a part of the prudential guidelines for the banking sector. These prudential guidelines of 1992 arose from what is known as the Bank of International Settlements which is in Basle Switzerland. The Central Banks of all the Governments in the world take some kind of guideance and they are all part of the Bank of International Settlements. This Bank of International Settlements set up a Commission known as the Basle Commission to work out the prudential guidelines for the banking sector in the world. That report came in 1988. In 1988, the Basle Commission report was there. In 1991 the financial sector reforms were initiated by this Government. In 1992, the prudential guidelines for the banking sector came into effect. Why I am relating all these is because on 21st January, 1995, the Government felt that an exceptional situation arose which necessitated an Ordinance. I don't know why no action was taken all these years. What is the other reason that is given here? The main reason given here is about a bank called the New Bank of India which has been amalgamated with the Punjab National Bank with effect from 4th Sepember, 1993 Madam, it is on 4th September, 1993 Madam and not on 4th January, 1995, that ths had to be brought in. This amalgamaion took

place on 4th September, 1993 and the Punjab National Bank could not finalise its Balance Sheet for the year ending March, 1994. Hence, this Ordinance was required. So, the prudential guidelines were in 1992. The Basle Commission report came in 1988 And, this amalgamation took place on 4th September, 1993. Yet it took such a long time for the Finance Ministry in making it possible for both the Houses of Parliament to pass it as a legitimate Bill. I am sure the House would have approved the Bill because when I am opposing that Ordinance, my party has authorised me to say that we support this particular objective, the objective of prudential guidelines, not governed by Ordinances. Hence it creates a problem in our minds as to what the problem is and why it is that the Ministry of Finance in this case and the other Ministries could not bring in a Bill in time. And, I am sure that you are no going to pass on the blame to the Law Ministry as another hon. Minister, the Minister of Information and Broadcasting, did by saying that the Law Minister sat on the Cable Television Network Bill for eight months and I had some strong remarks against the Law Minister who is still sitting here. I hope some changes were made in that Bill.

Madam, the problem is much deeppr, and deeper in the sense--and I am making a strong statement if Mr. Jagesh Desai disagrees with me, he is entitled to speak when his turn comes—that an attitude is developing in he Ministries and the Government to take the Parliament for granted. They wait for months together before a Bill is formulated and when the Parliament is not in Session, they bring in an Ordinance. Once the Ordinance is brought in they know that the Parliament will have to pass it, otherwise the Government will fall. If this suspicion of mine is wrong. I will be very happy. But, my apprehension is that it is not so. My apprehensions are that the whole system of Parliamentary democracy is being hijacked. Whichever party is in power is not important. We have adopted this system basically from the Westminster model, the British House of Commons, the mother of all Parliaments. I would suggest that the Government should and out as to how many such measures have been brough in through Ordinances in the Britsh House of Commons in the last five years. There also, they have a very vigilant and a very aggressive Opposition there. It is a very thin balance of power in the British House of Commons. So, why is it that session after session we have to make Ordinances? This is the basic point.

I would very much request the hon. Minister to kindly apply his mind to the points that I have raised. I am very happy that the hon. Finance Minister is here because he will make the life a bit easier for Mr. Chandrashekhar Murthy. Hon. Finanne Minister, I want to repeat only two sentences. We are not objecting to the purpose of this Bill. What we are objecting to is the basic issue—that an impression is being created that in every session we have to oppose Ordinances. An impression is being created that the Central Government is getting ino an Ordinance Raj situation. An impression is being created that the Ministries are taking the Parliament for granted and if that apprehension is there, then the whole system of Parliamentary democracy gets adversely affected. There are about six or seven Ordinances that are there.

4.00 P.M,

[The Vice-Chairman (Miss Saroj Khaparde) in the Chair]

Madam Vice-Chairperson, I particularly appeal to the senior Cabinet Ministers here—my friend Shri Salve is also walkink away—that this is becoming a practice which is dangerous. I mentioned just before you came, Mr. Finance Minister, that the Bank of International Settlements.

The Basic Commission gave a report in 1988. The finance sector reforms started in 1991 and the prudential guidelines came in 1992. This is a part of the prudential guidelines. I am sorry, I am opposing the Banking Companies (Amendment) Ordinance. That is the one I am on, not IDBI. To that extent, I believe, it is relevant with due respect. Your main reason for issue of this Ordinance was the New Bank of India's merger with the Punjab National Bank which came about on 4th September. 1993. It was not 4th January, 1995. That Ordinance had to be brought in on 21st January.

So, if that was so, was it realdy neecssary? Could the Finance Ministry not have brought a Bill earlier? They could have brought it in the last Session4 In the last Sessison also they brought an Orlinance. Prior to that it could have been brought in. The poin only is, try not to make such dedays and lead to Ordinance. In principle what we are objtcting to is governing by Ordinance, going much beyond what the constituent Assambly debates lay down, the use of an Ordinance should be most sparing and where it cannot be helped.

Now, I come to two or three points. As I said, we support the objects but we oppose the method. Even now the objective is that better management would be resuling from it. This has been the the situation in the last 30 years, but I might submit that we still have a long way to go for achieing the kind of improvement which everyone requires. A question has been raised by various newspapers whether this could affect adversely flow of adequate credit to productive sectors. This is a question which is being raised and if it could affect. adversely then are there apprehen. sions of recession because of this factor? I don't know. I am asking it from you. Points have been raised whether to that txtent the funds are available with the banks. There are editorial comments. I have got a lot of papers here which show that in the past one.and.a half years when this was tried to be brought in there have been situations when adequate credits were not made available to productive sectors. I have read only, I don't vouch for that. That is why I am raising a point for the hon. Finance Minister to consider.

Lastly, as per the reports of the Reserve Bank of India monitoring of the improvements, continuous improvement of the banking companies sector is a part of it. Would the Finance Minister also indicate to us, because it is related to banking sector, to what extent he moniоring of improvement in the functioning of banks is satisfactory to him? Is he satisfied? Are there going to be still better monitoring facilities not regulating but monitoring so that the functioning of the banks improves to the level that is desired with this Madam Vice-Chair-person, I oppose this Ordinance. I am moving my Resolution to oppose that. Thank you.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): Madam, as one of the features of the financial sector reforms, the Reserve Bank of India has introduced prudential acnounting norms in the banks in respect of income recognition, assets classification and provisioning based on the record of recovery. Besides, he RBI has also introduced certain norms of capital adequacy based on sysetm of risk weighted assets to be achieved in stages by 31st March, 1996. The prescription of capital adequacy norms has also necessitated the Centrad Govrenment as owner to provide adequate additional capital to the nationalised banks. Madam, banks in the private sector are incorporated under the Indian Companies Act, 1956. This Act permits the capital structure of

such banks to be varied through addition to capital, reduction of capital and conversion of debt to equity whereas the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980 have no comparable provision. The proposed amendment allows this facility to the nationalised banks also and world enable them to restructure their capital and reflect it in the balance shtet in the same way. The proposed amendshare *inter alia*, provide for (i) reducing or cancelling the paid-up share capital to the extent it is lost on account of losses or is unrepresented by available assets; (ii) paying off by a bank to the Centrad Government any amount of share capital which is in excess of its wants; (iii) reducing or cancelling paid-up share capital by banks which have accessed the capital market, by a resolution passed at the Annual General Meeting by the share holders, and (iv) a provision to the effect that paid-up capital of a roccesponding new bank shale not be reduced atl any time so as to render it below 25 per cent of its paid-up capital on the date of commencement of the Banking Companies (Acquisition and Transfer of Undertakings) Amend. ment Ordinance, 1995.

As the Parliament was not in Session and the above mentioned amendment was requirel to be made urgently for enabling the corresponding new banks constituted under the aforesaid Act to restrucure their capial, the President promulgated the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Ordinance 1995 Ordinance 4 of 1995 on the 21st January, 1995. This Bill seeks to replace the Ordinance. With this I commend the Bill for consideration of the House.

The question were proposed.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): I have a list of Members. Now, Prof. Vijay Kumar Malhotra.

प्रो० विजय कुमार मल्होत्रा (दिल्ली) : महोदया, बैंकिंग कम्पनीज अमेंडमेंट एक्ट पर जो आर्डिनेंस लाया गया है यह, जो उदारीकरण की नीति चल रही है उसकी परिणिति है । यह उसके लिए अनिवार्य है । इसके बिना उदारीकरण की नीति आगे नहीं चल सकती है ।

यह आर्डिनेंस दो वजहों से लाया गया है । एक तो जिन बैंकों के पास सरप्लस फंड्स हैं, ज्यादा रुपया है वे अपना इक्विटी बेस घटा सकें ताकि घटे हुए इक्विटी बेस से ओपेन मार्केट में जायें और उनके शेयरों के अधिक दाम मिल सकें । दूसरी तरफ जो बैंक घाटे में चल रहे है और जिन बैंकों ने सालों साल लगातार लासेज एक्युमुलेट किए हैं, बहुत-सा घाटा इकठा किया है, सरकारी जो पैसा उसमें लगाए उसके अपने घाटे को राइट आफ कर दें, बराबर कर दें और अपनी साफ बैलेंस शीट लेकर बाजार में जाएं ताकि उनको भी अपने शेयरों के अच्छे दाम मिल सकें। मैं इसके हक में तो नहीं हूं कि सरकारी पैसा लगातार घाटा पूरा करने के लिए ही लगाया जाता रहे क्योंकि यह सिचुएशन आगे भी कई बार पैदा हो सकती है कि अपने यहां लासेज एक्युमुलेट हो जायें और सरकार जो अपनी पूंजी उसमें लगाये उससे इसको बराबर कर दें तथा खुले बाजार में जाकर अपना कैपिटल रेज करे । किंतु यह भी मैं समझता हूं कि इससे अब कंपीटीशन होगा । खुले बाजार में जाना पड़ेगा इन बैंकों को, इनको प्रतियोगिताओं में खड़ा होना पड़ेगा, अपनी साख और गुणवत्ता बढ़ानी पड़ेगी तभी जा कर दूसरे बैंकों के मुकाबले में खड़े हो सकेंगे । परन्तु मैं यह जरूर कहना चाहता हूं कि सरकार को ईमानदारी से काम लेना चाहिए । सरकार को साफ तौर से कहना चाहिए था कि जो उन्होंने बैंकों का नेशनलाइजेशन किया था वह एक बहुत बड़ी गलती थी। अब हम उस गलती से बाहर निकल रहे हैं और इसका पश्चाताप कर रहे हैं। परन्तु हो क्या रहा है कि बजाय इसके कहने के कि अपनी भूल का सुधार करेंगे, फिर भी लगातार उन्ही के नाम लेकर चीजों को दोहराया जाता है । जवाहर लाल नेहरू और श्रीमती इंदिरा गांधी के जो समाजवाद के नारे थे, जिससे

उन्होंने सरकारीकरण किया और सरकारीकरण करके देश को जितना आर्थिक दृष्टि से नुकसान पहुंचाया, मैं समझता था कि खुले तौर से ईमानदारी से यह बात घोषित करनी चाहिए थी कि यह गलती हुई थी। हमने रशियन पटर्न पर आर्थिक नीति को चलाया था वह अनसक्सेसफुल हुआ है अब इसके बदले में दूसरा तरीका सामने ला रहे हैं। परन्तु कांग्रेस के लोग कर तो रहे हैं गुनाहों से तौबा परन्तु जो गुनाहगार है उन्हीं की प्रशंसा भी करते जा रहे हैं। नाम फिर भी उन्हीं का लिया जा रहा है। फिर भी कहते जा रहे हैं कि हम नेहरू और इंदिरा गांधी की नीतियों पर चल रहे हैं। और उनके हिसाब से काम कर रहे हैं। अगर इसको चेंज करना है, परिवर्तन करना है तो पूरी तौर पर उसमें परिवर्तन करना चाहिए।

दूसरी बात मुझे यह कहनी थी कि एक तरफ तो आप सोशलिज्म से दूर आ गए, वह आपने ठीक किया क्योंकि सोशलिज्म पूरी तरह से फेल हो गया है, परन्तु उसका यह मतलब नहीं है कि हम कैपिटलिज्म के पूरे एक्स्ट्रीम पर चले जाएं, घड़ी के पेंडुलम की तरह एक सिरे से दूसरे सिरे पर चले जाएं। आप खुले तौर पर बैंकों में धीरे-धीरे ऐसी स्थिति पैदा कर दें कि जो रुपया आप उसमें डालते जाएं वह डिवेल्पमेंट के लिए खर्च न हो करके घाटा पूरा करने के लिए प्रयोग किया जाए और बाजार में वह पूरा रुपया उसमें से रेज कर लें और उनका शोषण करने का पूरा अधिकार हो जाए। पूरा का पूरा कैपिटलिज्म का जो तरीका है, उसमें जो उसका ह्यूमैन फेस चाहिए, जो उसका सोशल रेसपांसिबिलिटी चाहिए उसको पूरा करने के लिए बैंकों को तैयार करना चाहिए। इसलिए मैं विशेष रूप से कहना चाहता हूं कि यह जो विदेशी बैंक हिन्दुस्तान में आ रहे हैं और जिनको आप आई.एम.एफ. और वर्ल्ड बैंक और उनके डाइरेक्शंस के अंतर्गत यहां एलाउ करने चले जा रहे हैं कम से कम उन पर वही कंडीशंस तो लाग कीजिए जो आप अपने बैंकों पर कर रहे हैं। उनको क्यों नहीं जरूरी है कि वे सोशल सैक्टर में रुपया लगायें? उनके लिए क्यों जरूरी नहीं है कि वे बकवर्ड एरियाज में जा करके अपनी शाखायें खोलें? अपने बैंकों को उसके मुकाबले में अगर हम डिप्रैस रखेंगे, गलत कंडीशंस में रखेंगे तो आपका आर्थिक ढांचा सुरक्षित नहीं हो सकता। इसलिए आप इसकी ऐसी नीति बनायें कि जिसमें से बैंकिंग सैक्टर हिन्दुस्तान की आर्थिक दृष्टि से तो ठीक हो ही, परन्तु सोशल रेसपांसिबिलिटी को भी उसमें वह पूरा कर सके। उसके लिए विदेशी बैंकों के बारे में इसका विचार करना चाहिए।

एक बात इसमें और कहना चाहता हूं कि जब यह राष्ट्रीयकरण किया गया था तब यह बहुत जोर से नारा लगाया गया था कि बैंकों से हम अरबों रुपया निकाल करके जनता की सहूलियत के लिए खर्च करेंगे। बैंकों में इतने हजार-लाख करोड़ रुपया है और ये पूंजीवादी लोग चाहते हैं कि अमीरों के हाथ में रहे। हमारे वित्त मंत्री अच्छी तरह से जानते हैं कि नतीजा उसका यह निकला कि घाटे को पूरा करने के लिए सरकारी रुपया उसमें डालना पड़ा, जस्ट द आपोजिट और बैंकों से रुपया ले करके जनता को लाभ नहीं पहुंचाया गया। जनता का टैक्सों का रुपया बैंकों को दिया जाना शुरू किया ताकि बैंक चलते रह सकें। बैंकों को चलाए रखने के लिए जनता का खून-पसीने का रुपया उसमें डाला। 1993-94 में फाइनेंस मिनिस्टर ने साढ़े पांच हजार करोड़ रुपया बैंकों के घाटे को पूरा करने के लिए लगाया और अभी भी इसमें यही कहा गया है कि जो बैंक लगातार घाटे में चलते जा रहे हैं इतने सालों से उसमें अगर रुपया सरकार डाले तो उससे कम से कम बैलेंस शीट बराबर कर दें क्योंकि अभी तक कानून के अनुसार उससे बैलेंस शीट बराबर नहीं होती है। तो यह ऐसी स्थिति क्यों पैदा हो गई कि बैंकों से पैसा ले करके जनता का हित करने की बजाय जिसके लिए बड़ा दम भरा गया था, उलटा हो रहा है कि जनता का पैसा बैंकों को चलाए रखने के लिए यहां पर खर्च किया जा रहा है, जो दुनिया में कहीं नहीं होता। वर्ल्ड ओवर बैंक जो हैं जनता का टैक्सों का पैसा उसमें नहीं

लगाया जाता, वहां से रुपया ले करके जनता के हित में खर्च किया जाता है।

मैं इस मौके पर एक बात और कहना चाहता हूं कि जब आप उसमें रुपया लगा रहे हैं और उसके एक्युमूलेटिव लास को बराबर कर रहे हैं तो आपको जरूर देश की जनता को कंफीडेंस में लेना चाहिए कि उस स्कैम का क्या हुआ जिसकी वजह से वह घाटा बना और जिसकी वजह से आपने रुपया लगाया तथा फिर आपको आर्डिनेंस लाना पड़ा। वह स्कैम का रुपया कहां गया? मैं यहां पर अर्जुन सिंह जी, जिनसे हमारे बहुत मतभेद हैं बहुत सी बातों में, खास कर फंडामेंटलिज्म को जैसे वे प्रोत्साहन दे रहे हैं मैं नहीं समझता कि वह देश के हित में कोई बात कर रहे हैं, परन्तु उन्होंने जो सवाल उठाया है कि यह एंड यूज का क्या हुआ उस रुपए का, ...(व्यवधान) वह चाहे आपका घर का झगड़ा है उस झगड़े में भी मैं नहीं जाना चाहता परन्तु इस सवाल को तो आप बतायें कि उस का एंड यूज़ का क्या हुआ, कहां गया रुपया ? एक लाख करोड़ रुपया उनके हाथ में था जिसको उन्होंने प्रयोग किया उसको घुमाया, उस रुपए का फायदा उठाया, जिन्होंने उस रुपए का फायदा उठाया, वह कहां रखा है? देश में है, विदेशों में है या फारेन बैंकों में है? वह रुपया कहां चला गया? नुकसान उठाने वाले तो करोड़ों हिन्दुस्तान के छोटे छोटे मिडल क्लास के लोग थे, उनकी जेब से तो कई हजारों करोड़ रुपया निकल गया यह साढ़े पांच हजार करोड़ रुपए की बात बिल्कुल बेहूदा है। जो नुकसान उनका हुआ और कई हजार करोड़ में हुआ, उसका "एंड यूज़" क्या हुआ जिसके लिए कि आप आर्डिनेंस लाकर इसको बराबर करने की कोशिश कर रहे हैं। उनकी बैलेंस शीट ठीक करने की कोशिश कर रहे हैं। आपको उसके बारे में बताना चाहिए अगर ज्वाइंट पार्लियामेंटरी कमेटी ने जो इंक्वायरी की और वह उसमें से कुछ न निकाल सकी और दूसरे जितने कमीशन बनाए गए, वह नहीं निकाल सके तो क्या इतनी बड़ी चीज पर पर्दा पड़ जाएगा और कोई उसका सुराग निकालने की कोशिश नहीं करेगा? अगर इस बारे में सुराग नहीं निकाला जा सकता तो कौनसी और एजेंसी होगी जोकि देश के साथ हुए इस भयंकर घोटाले को बेनकाब कर सकेगी? फिर जो रुपया इस घोटाले में बनाया, वह रुपया कहां गया? उसका पता करें तो अच्छा होगा।

मैंने पहले ही कहा कि उदारीकरण और प्रायवेटाइजेशन तो करना ही पड़ेगा, परन्तु इसको करते हुए सावधानी रखनी चाहिए कि जो गलतियां हमने पीछे दोहरायी हैं, वह आगे न हों इन्हीं शब्दों के साथ मैं आपका धन्यवाद अदा करता हूं कि आपने मुझे समय दिया।

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Thank you.

SHRI JAGESH DESAI: Madam, one thing I would like to say is that these two banks, the New Bank of India and the Punjab National Bank, are not at all in the scam. That is what exactly I want to put before this House. (*Interruptions*).

प्रो० विजय कुमार मल्होत्रा : न्यू बैंक का इसमें हिस्सा नहीं है? साढ़े 5 हजार करोड़ रुपया जो देश का गया, उसमें से न्यू बैंक का हिस्सा नहीं है? कोई बैंक हिन्दुस्तान का बचा नहीं है।

All these banks were in one way or the other involved.

SHRI JAGESH DESAI: I am just putting the facts before you.

DR. BIPLAB DASGUPTA: Madam Vice-Chairman, on this proposed amedment there is not must to be said. It has been formulated with very limited objective but I would like to take this opportunity to raise some basic issues regarding the role of the banks in our country particularly since the changes that have been introduced under the new economic policy. Now, Madam, if you look at the attitude of the Government towards the banks in 1969

when the banks were nationalised, the Government of India had a certain attitude towards nationalisation, towards banking. Before nationalisation, there were also banks, all under the private ownership, and they did not care about the development. They were mainly interested in boosting the investing opportunities of the owners of the banks ad generally speaking, the question of development did not figure in the discussion on banks. Now, after 1969, there were major changes. One major change is that banking has been adopted as the major instrument for development. As a consequence of that poverty alleviation scheme were introduced and all those were linked with some Government support and some with Government subsidy, and also were to be implemented with bank credits. Then came the Green Revolution. The major programme of Green Revolution was carried out with subsidies which were given to the farmers. It certainly led to agricultural development and certainly helped India to become self-sufficient. Then, of course, came the weaker areas. There are many areas in the country which require substantial amount of investment. But the private sector is not interested because these are weak areas. For the required development funds should be coming. One of the objectives of the nationalised banks was to ensure the funds flow to the weake areas. What has been the result of this? Whereas before nationalisation the number of accounts held in the country was very very small, by now more than 30 crores of population hold bank accounts. Now, there is at least one bank for every 10 villages. This is the result which has been achieved through nationalisation. Now what has been happening since 1991? Mr. Manmohan Singh has just entered the House. He is sitting comfortably. (*Interruptions*). All right, you may not be sitting comfortably, but what I am saying is this. As soon as Manmohanji came, he set up a Committee called the Narasimhan Committee for structural reform in the financial sector. Now, I have read this Narasimhan Committee Report many, many times. If you go through the reports which have been produced by other countries also, which have been similarly under the dictates of the World Bank and which had to follow the same structure and programme, you will see that the recommendations are identical, the language is identical. You will see that even the language is identical. If you go report by report, whether the report for India or the report for Ghana or the report for any other country, you will see identical reports. Even these reports are tailor-made to satisfy the needs of the World Bank. That is the way the report had been worked out. What does the Narasimam Committee report say? The whole question of development was simply watered down, that development was no longer the concern of the banks. So, what had been the dominant theme since 1969 was been completely discarded as per the Narasimham Committee report which is now the Bible for the banking system. It says that development is no longer the concern of the banks, the banks should be looking after the interests of the people who keep their deposits there, and that the banks should try to be viable. What does it mean? It means on priority to the weaker sections of the population. It has been brought down from 40 per cent to 10 per cent. The priority allocation has been brought down in lending from 40 per cent to 10 per cent.

THE MINISTETR OF FINANCE (SHRI MANMOHAN SINGH): You don't know the facts. We have no brought down the priority sector ratio from 40 per cent. You should correct yourself at least.

DR. BIPLAB DASGUPTA: You have not brought down from 40 per cent to 10 per cent?

SHRI MANMOHAN SINGH: There has been no change.

DR. BIPLAB DASGUPTA: What is the percentage now?

SHRI MANMOHAN SINGH: 40 per cent.

DR. BIPLAB DASGUPTA: I do not know...

SHRI MANMOHAN SINGH: If you do not know, why are you saying that?

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Dasgupta...

DR. BIPLAB DASGUPTA: You have not accepter this recommendation of this Committee about priority leding? May be, there is something wrong with your communication there.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Dasgupta, you should address the Chair.

SHRI MANMOHAN SINGH: I am sorry. If you do not read anything, if you do not study anything, what can I do?

DR. BIPLAB DASGUPTA: This is not the point. Then what about the SLR? Have you reduced the SLR or not? You have. What was the assumption? The assumption under the SLR was that the banks are giving too much of credit to the public sector. So, what you should do? If you reduce the SLR component, then it means that the private sector would not be crowded out. That was the theory. The private sector is being crowded out because of too much of loan being given to the public sector. And so, you reduce it, not the loan but the financial support you give through the SLR. So, you reduce the SLR. Now, what has been the impact? There has been not only an overall reduction in investment but there is also reduction of private investment. And one of the most worrying things about the Indian economy is this that during the last four years since Dr. Manmohan Singh took over, there has been a severe decline in the investment ratio. Can you deny this that there has been a severe decline in the investment ratio from 24 per cent to 20 per cent?

SHRI MANMOHAN SINGH: The West Bengal Government have discovered private banks in the Peerless.

DR. BIPLAB DASGUPTA: You forget West Bengal. You tell me whether what I am telling is right or not that there has been a decline from more than 24 per cent to 20 per cent in investment. Despite the encouragement given by you to the private sector, the private sector has not responded to your incentive. Why is this? This is a question which you should seriously ask yourself as an economist. Why has it gone wrong? This is not in the case of India alone. I have gone through the experiences of the countries which have been under structural adjustment. In each case, this has happened. As soon as you introduce structural adjustments under the World Bank dictates, the investment goes down. Why does it go down? It is for the simple reason...

SHRI MANMOHAN SINGH: You should ask Mr. Jyoti Basu.

DR. BIPLAB DASGUPTA: Don't mention West Bengal. Don't go into other subjects, why does it go down? It is for the simple reason that there is a close co-relation between public investment and private investment. If you reduce public investment in our kind of a country—it is not America or England—the private investment is also going to go down. Your own Report says that for the last four years, both the public and private investments have gone down. That is one thing that you have done by following the Narasimham Committee recommendations. You have reduced the investment. You have also reduce the savings. Without savings, now can

there be development? You cannot rely on foreign saving and the time. The fact is this that there has been a similar reduction from around 24 per cent to 20 per cent in the saving ratio. Can you deny this? You cannot deny this. Why has this decline taken place? It is largely because of the policies followed with respect to the banks. What does the Narasimhan Committee report say? They are saying that if any branch is non-viable, you prune that branch. Now, what do you mean by non-viability? It might be non-viability in terms of a very narrow view of the banking system that in a particular area, each bank has to make both ends meet. Why should you take a narrow view? Why should you not take into account the linkages between the banking seystem and the rest of the economy, the linkages which have proved to be effective in terms of the success of the green revolution and some implementation in the poverty alleviation programmes. Why are these things not taken into account? This is taking a very narrow view of the banking sector as if it is very important for each branch in the country to make profits and if an individual unit is making dosses, it is wrong. This kind of a narrow view, this kind of a jaundiced approach, has led too very disastrous situation where you find that the Indian economy cannot generate sufficeint savingns: it cannot generate sufficient investment. That is the kind of situation in which we are placed today.

Another thing I would like to mention. Not only has there been this shift from the concept of development for example, we had discussed earlier about the I.D.B.I. Now, the I.D.B.I. is a development bank. It is the tenth largest devedopment bank in the world. The I.D.B I. has been doing fine. Its rate of return exceeds more than 20 per cnt Its share is selling at a premium which is very extraordinary. It has been paying a dividend of 16 per cent regularly. In spite of this, what are you doing? You do not concern which is making losses. On the other hand, you start selling a concern which is making losses. On the other hand, you start selling a concern which is making profits! What does it show? It is not only that you are following the dictates of the World Bank. It also means that it is bad business.

If you look at many of the reports which have come, you find that the same thing was done in most of the countries. You sell those units of the public sector which are making profits, but, you do not self those units which are making losses. As a consequence of your so doing, the overall viability of the public sector gets affected. You want to sell or reduce the public ownership of an organisation like the I.D.B.I. which has been doing very well. I do not think it makes good business sense.

A number of very prominent enonomists in the world even those who agree with the World Bank kind of ideology, even those who share a similar ideology as that of the World Bank, have taken the view that in many cases, the Government has been too hasty and has rushed into selling those units which are profitable. This is because you want to encourage the private sector to come into it. The result has been that the shares have been sold at very cheap prices. Not only that The Government has also lost control over a major chunk of the economy which has been beneficial to the country.

I would like to point out that as a result of this kind of shift which has been made, not only the enonomy is suffering. If you look at even the Narasimham Committee's recommendations fully there are some recommendations which are good. These have not been taken up for implementation. Only those recommenda-

tions which are in line with the dictates of the World Bank have been implemented. But there are some good recommendations of the Narasimham Committee which have not been taken up seriously.

I would like to give an example here. Since the hon. Finance Minister is here, I would dike him to answer my question. I would like to know why the Assets Reconstruction Fund has not been created. I would like to know why. There is also the question of setting up loan recovery tribunals for the purpose of recovery of loans from the defaulters. Why has not a substantial initiative been taken so far? What has been done is very, very limited.

Why are you not penalising the defaulters? For example, the Narasimham Committee's report says that one main reason for the non-viability of the banks is the political patronage; obviously, it means the patronage of the ruling party. The banks give loans right and deft to the big businessmen for making money or whatever it is. Now, why should not the names of the defaulters be announced? Why should not they be the names of the defaulters be anlisted? Why should not they be blacklisted so that they do not get loans from other sources? The defaulters—their number is huge—are never penalised. On the other hand, if a farmer has taken a loan of say, Rs. 2,000/-, a lot of hue and cry is made about the recovery of the loan. A lot of hue and cry is made about the rate of recovery in the rural areas. The same concern is not shown in respect of loans advanced to the big industries which have taken loans worth thousands of crores and have defaulted, resulting in these banks becoming non-viable.

May I know what efforts have been made by the Government to ensure that sunh loans are recovered? What efforts have been made by the Government to ensure that the banks become viable by recovering the loans which have been taken by these people through one way or another, using their political influence and so on? What efforts have been made by the Government to ensure that the banks are run in a proper, business like, manner by recovering the loans which had been advanced earlier and penalising the defaudters? If the Government is interested in developing the banking system, if the Government is interested in restructuring the banking system, why such a thing has not been done?

Lastly, I would like to refer to the agricultural banks, the rural banks. It is true that these rural banks have not done as well as we expected there to be. I understand the Government has been restructuring some of the rurad banks in the country. They are restructuring the capital of these banks. Now, with the rate at which the whole thing is being done, it will take many years. And my fear is that by the time the last bank is restructured, Dr. Manmohan Singh may not be here in the Finance Ministry. So the whole programme will be dropped. That risk is always there.

SHRI VIREN J. SHAH: We will carry on.

DR. BIPLAB DAS GUPTA: But the point I am making is, why don't you give priority to these rural banks? Why don't you restructure all of them now? Out of the 49 which have been listed, if I am right, 20 of them are from developed areas. And an area like Tripura has been excluded—why, I don't know. But why should you not give priority to these rural banks and try to form some state based federations of rural banks to make them viable? Why are such steps not being taken, why is no legislation being brought about to ensure this rather than this legislation that you are introducing with

a very limited objective? Well, there cannot be much quarrel yith the particular Bill itself, but it shows the priorities of the Government. The Government is interested only in continuig with, what they call, the monetary reform, the banking reform but, at the same time, ignoring the issues of development which are certainly very important as far as we are cancerned.

I would lastly make one point. I was very much worried when the voice vote was taken on the IDBI Bill, ad I found that not only the Members of the Congress Party were vocally supporting the Bill but I found that the BJP was completely silent. I don't know... (*Interruptions*)...

PROF. VIJAY KUMAR MALHOTRA: We were not silent. We were supporting it.

SHRI VIREN J. SHAH: Opposing the Ordinance and supporting the Bill.

DR. BIPLAB DASGUPTA: Now, I think, that should be stated. I am very thakful that they have stated it very clearly and categorically that there is no difference between the Congress and the BJP as far as the economic policies are concerned. .. (*Interruptions*). ... Congress and BJP are together on this economic policy. There they have made this matter absolutely clear: let there be no confusion on this. And opposition to the economic policy comes, not from the BJP but from those who are sitting here. . (*Interruptions*)...

प्रो० विजय कुमार मल्होत्रा : वेस्ट बंगाल गवर्नमेंट सबसे ज्यादा मल्टी नेशनल को बुला रही है । ..... (व्यवधान) We are against the way the West Bengal Government has been doing it.

DR. BIPLAB DASGUPTA: It is very clearly exposed now. No matter what the BJP says in Maharashtra, no matter what the BJP says in Gujarat, the BJP and Congress are two brothers who are sticking together when it comes to ecoomic reforms, because both of them are patronized by the same forces from outside the country. That, unfortunately, is again revealed when you support this particular legislation.

Thank you very much, Madam, for being indulgent towards me, but, I hope this Bill will not be accepted largely because it does not deal with the fundamentals of the banking situation which merits immediate attention.. (*Interruptions*)

SHRI SATISH AGARWAL (Rajasthan): In the whole history of budgeting, it was Mr. Somnath Chatterjee whose name has been mentioned in the Budget Speech of the Finance Minister. .. (*Interruptions*)..

DR. BIPLAB DASGUPTA: Do you want me to explain it?

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Dr. Dasgupta; are you addressing the Chair or are you talking to Mr. Agarwal or the Finance Minister?

DR. BIPLAB DASGUPTA: I will make just one point.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Please be brief.

DR. BIPLAB DASGUPTA: Very brief, two minutes only.

In the last 40 years, the Union Government had discriminated against West Bengal in two major ways. First, in terms of the freight equalization policy so that the natural advantage of the Eastern region was denied to them and, second, in terms of the licensing policy so that the private sector, which was interested in investing in West Bengal, was asked to go somewhere else and the licence was not given to West Bengal. Now, there are many bad things in the New Economic Policy. We are totally opposed to it. But the good part of it is this: Now the

licensing had to be scrapped and freight equalization also had to be scrapped, and we want to take full advantage of it. That does not mean we are not opposed to the economic policy. We are quite happy that the Government has been forced—because it is illogical with their economic policy—to abandon the freight equalization policy which was discriminatory against the Eastern region for a ong time. We are also happy that thre licensing system which has been politically used by the ruling party here not to allow industrialisation in West Bengal is also abandoned. Now, that is no longer possible because the licensing system has been abandoned and we certainly, including Mr. Somnath Chatterjee, are taking advantage of it. But that does not mean that we have any sympathy for the New Economic Policy of Dr. Manmohan Singh. Thank you very much.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Virumbi. —. Not here. Mr. Gurudas Das Gupta.

SHRI GURUDAS DAS GUPTA: Madam, I thought that the discussion would continue tomorrow also. That is how we discussed the matter in the Business Advisory Committee. But, it seems that the Government is in no mood to rush off the Bills without having fruitful discussions.

THE VICE-CHAIRMAN (MISS. SAROJ KHAPARDE): That is how you could make up your mind to speak today only.

SHRI GURUDAS DAS GUPTA: That is true.

Anyway, Madam, the point is that this Bill has been introduced or the Ordinance has been promulgated as apart of the restructuring programme of the banking system of the country in consonance with the new economic policy of the Government or according to model that Dr. Manmohan Singh has placed before the nation. We have our own differences. I am not going into the philosophical aspect of our differences. That apart, the point is that capital has to be restructured. I understand that. But there is a point that the Central Government will have to be paid by paying off any paid-up capital which is in excess of the want of the corresponding new bank. This is one of the devices through which the Government would like to get money and bridge this unbridgeable gap in the Budget. This is one of the undisclosed, innocuous and surreptitious way of raising money. This is a part of the new economic policy. I understand it. This is how the Government would like to raise money. I do not want to go into the merit of that also.

But, while discussing this, let me bring forward before the hon. Minister some of the issues that are really formenting the minds of the people in India, who always believed that we had a nationalised banking sector to do social banking.

Madam, some years back there was the National Commission on Rural Labour. That was set up by Mr Rajiv Gnadhi. Mr. Rajiv Gandhi is always remembered because his killers have not been brought to justice, but Rajiv Gandhi is never remembered or Mrs. Gandhi is never remembered for the policies that sometimes they had followed, not all the policies that they had followed, but some of the policies they had followed. That National Commission on Rural Labour submitted a report. That report put on record, "After so many years of India's freedom and independence, even today, 70 per cent of the rural credit is supplied by moneylenders, and the interest rate in some cases, not in all cases, is even 100 per cent." Therefore, a question arises particularly after the political Budget that the hon. Finance Minister has pre-

sented to the Lok Sabha with all his new political philosophy as a palliative for poverty. I would only request the hon. Minister of Finance to let us know how the credit crunch not being faced by lions but being faced by the small and marginal farmers, peasants, unemployed young people etc. in the countryside is going to be met. The problem of rural credit remains unresolved, remains as outstanding as before, remains as prominent as before even so many years after the Independence and the nationalisation of banks. Therefore, the Government is expected to tell the House and the country how the problem of rural credits is going to be solved or what steps the Government is likely to take in that direction.

Number two, Madam, there has been an attempt to recover the outstanding loans. I agree with the Government's strategy. The people who have borrowed the money, must pay it back, but, while undertaking the programme for the recovery of the loans, what are the norms that the Government has set for them? I had brought a number of instances to the notice of the hon. Finance Minister. A particular industrial house in Calcutta, had taken a loan of not less than Rs. 10 crores. Its amount today has come up to at least Rs. 20 crores to Rs. 25 crores. Now a recovery has been made. The Management of the Bank has placed a report before the Government saying that they have really advanced for realising the arresars. But how has the money been realised? A Goenka family had been given a concession. The Industrial House has paid only Rs. 10 crores and the rest of the money they propose to pay a future trade—a forward transaction. And the Minister knows what happened to the forward transaction. On the basis of a commitment that payment will be made in the future, the loan has not only been written off, but the case that had been against him is the court of law has also been sought to be withdrawn. I am speaking about Gauri Goenka and his family. I had drawn the notice of the hon. Finance Minister to the way in which the loan arrears are being recovered. If a poor farmer belonging to a village, not of West Bengal, because politically Bengal is untouchable to you, but belonging to Karnataka or Punjab or to Assam from where the hon. Finance Minister himself got elected...

SHRIMATI JAYANTHI NATARAJAN: He lives there.

SHRI GURUDAS DASGUPTA: Yes, he lives there, but he was born in Punjab. Anyway, that is not the main issue. Let us not digress.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Why did you say the Bengalees are untouchables? It is not fair.

SHRI GURUDAS DASGUPTA: I am not referring to this because somebody may just jump up and say this is the way you are functioning. People take loans and do not return. I am not referring to West Bengal. I am referring to any State in the country, except Bengal and Tripura. A small farmer, who has taken a loan and has not paid it—maybe his total amount is five times the amount that was advanced to him—if he goes to the bank and asks for a concessional treatement, will he be allowed to have a preferential treatment, the way in which the Goenka family has received from the United Bank of India? And mind you, this industrial house has been accused of violating FERA regulations in the country. Therefore, in the name of recovery of outstanding loans, should we give special favoured treatment to a number of industrial houses? What is the norm, what is the guideline, what is the directive? While doing social banking, it is the weaker sections who should be the target.

Thirdly, there are a number of cases where the application for a loan that a small trader or a small businessman would like to get from the bank is not being cleared or is being deferred. Questions of security, property and mortgage are being raised. This is the way the hon. Ministers are giving importance to a discussion of finance.

THE VICE-CHAIRMAN (MISS. SAROJ KHAPARDE): Madam Margaret, please go to your seat.

SHRI GURUDAS DAS GUPTA: Madam Margaret seems to be discussing something other than banking. It is good.

SHRI R. K. DHAWAN (Andhra Pradesh): She came to tell us to listen to you attentively.

SHRI GURUDAS DAS GUPTA: She can easily go to a bank, take a loan and then apply for a concession. The Minister can get her a concession.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRIMATI MARGARET ALVA): Madam, let me say a word. He was objecting earlier that Congress Members have not spoken. I was just giving the names of the Congress Members. And he objects to that also. (*Interruptions*)

THE VICE-CHAIRMAN (MISS. SAROJ KHAPARDE): Karnataka is not untouchable like West Bengal.

SHRI GURUDAS DAS GUPTA: Madam, I must apologise to my friend, Madam Margaret, because she was doing her job as a Minister loitering in the House, I agree.

SHRIMATI JAYANTHI NATARAJAN (Tamil Nadu): What is the "loitering"?

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Dasgupta, you take back your word.

SHRI GURUDAS DAS GUPTA: Madam, I have not said anything unparliamentary. "Loitering" is not an unparliamentary word... (*Interruptiins*)...

SHRI VIREN J. SHAH: "Loitering" means walking in a relaxed manner. What is wrong with that?

SHRI GURUDAS DAS GUPTA: Madam, I never meant anything disrespectful. I was only saying that she was probing from this place to that place. She was moving from this place to that place I am sorry

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Dasgupta, you are always disrespectful towards women.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRIMATI MARGARET ALVA): I was trying to distract him and I have succeeded.

SHRI GURUDAS DAS GUPTA: Madam, a women can distract a man. That is the history; and history itself speaks about it. I am not angry with her.

SHRIMATI JAYANTHI NATARAJAN: That is an old-fashioned chivalry.

SHRI GURUDAS DAS GUPTA: Madam, the new fighters of women liberty sometimes misplace their weapons.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): You come to the point.

SHRI GURUDAS DAS GUPTA: The point is that whenever the people belonging to the weaker

sections go for a loan, they are not being treated in the same way as the big industrial houses are treated by the nationalised banks.

Madam, there are a number of cases to show that the banks' money is flowing into speculation through bill discounting and some other methods. I would like to know from the Minister, what steps the Government proposes to take to ensure that banks' money is invested for production, rapid growth and balanced economic development. I only wish that the Government while seeking to bring about restructuring of the banking system, took into consideration, the all-out effect of the economic reforms. I believe that this is an economic reform that is being done which is being done without a proper safeguard. Madam, I will give you an example. Today, we are discussing the Bill when the Bombay Stock Exchange is closed. Today, we are discussing the Bill because there is a part of the economic restructuring programme which the Government is carrying on. The Bombay Stock Exchange is closed because there has been a massive default by one single broker. For the last three weeks, settlements could not take place. I know that the Bombay Stock Exchange does not come under the direct purview of the hon. Finance Minister. But there is a representative of the Government of India on the Board. What had he been doing? We have been persistently putting a question to the Government: What about disciplining the delinquent brokers? What about introducing reforms, safeguards in the Stock Exchanges? We have been persistently telling the Government that something has to be done to ensure that financial irregularities of the dimension which have shaken the country in 1991 are not repeated. That was an ominous situation. Our concern is more because you are disinvesting and private corporate sector will have their representatives on the Board, on the Boards of the IDBI, on the Boards of the Banks, on the Board of financial institutions. Who will be purchasing these shares? It will be the corporate houses who will be purchasing. They will be purchasing the shares in order to influence the policy of credit, the policy of lending. Therefore, there has to be a safeguard. What is that adequate safeguard.

Madam, today in the newspapers we came across another ominous report. It says that the SEBI had appointed a Board, had appointed a sub-committee to look into *badla*, transactions, to look into the question of reintroducing *badla* transactions. Madam, I hope that you understand what is meant by *badla* transactions and forward trading. Nowhere in the world does forward trading take place in the way, but it is taking place in India. That was stopped by the Government of India, by the Ministry of Finance, by Dr. Manmohan Singh after the scam had broken out. Now that is being reintroduced at the pressure of the brokers. The Chairman of the SEBI who had been instrumental in taking positive steps in the direction of disciplining the stock market was shunted out. Of course, he was not given a letter saying, "You are being shunted out because you have done this or that". But he was shunted out. Now Mr. Mehta is there. After assuming office, one of the first steps Mr. Mehto had taken was to appoint a Committee. What was the Committee's job? The Committee's job was to find out whether there was a nesessity of re-introducing 'badla'. I think that Committee had given a unanimous recommendation suggesting that 'badla' should be reintroduced with certain safeguards. Who is to enforce the safeguards? It is the same management committee of these stock exchanges which had failed, till now, to discipline the stock market. They are expected to bring about discipline! Madam, this is the situation.

I would like to know this from the hon. Finance Minister. We are privileged by his presence. We were discussing the other Bill when the hon. Finance Minister had no time to make himself present in the House. All the questions were being answered by the Minister of State. We would like to know from Dr. Manmohan Singh what, he believes, should be done with regard to this persistent problem. I again draw your attention to that. While showing the profits of the corporate sector, a large part of the income can be attributed to other sources. Therefore, the profit of the corporate sector is being derived from speculation, from manipulation, from financial engineering. It is not because of expanding production or sale. When the country needs money for production, when the country needs money for employment generation, when the country needs money for productive investment, money is being diverted to speculation through banks and financial institutions. Therefore, my question is, while restructuring the banks and the financial institutions, what is the safeguard you would like to take so that the money of the financial institutions does not go into speculation?

We have many doubts and questions because I believe this is a totally unguarded liberalisation. Unguarded liberalisation may bring unmitigated disaster for the economy as a whole. Therefore, while opposing the Ordinance, while opposing the Bill, I only wish the Government clarifies its position on the important questions that the nation is facing today with regard to the financial restructuring of the country. Thank you.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Shri Jagesh Desai. Mr. Virumbi, I called your name and you were not there.

SHRI S. VIDUTHALAI VIRUMBI (Tamil Nadu): I will speak afterwards.

SHRI JAGESH DESAI: Madam, this is a very, very simple Bill. Two banks, the New Bank of India and the Punjab National Bank, are to be merged. It was decided in September, 1993. But because of the losses of one bank, as seen from the balance-sheet of the Punjab National Bank on 31st March, 1994, they could not do it. This is why this kind of a Bill was required. But here, we are discussing the policies, the banking policy, the scam, the stock exchanges and what not! One thing, I would like to mention, Madam. Why were the losses there? How, in future, can we avoid the losses? Most of the losses are there because the advances taken by big business or small-scale industries or others were not paid back. They had to be written off.

SHRI GURUDAS DASGUPTA: Who is the main defaulter?

SHRI JAGESH DESAI: That is for the bank to find out. That is why the banks have to monitor it. Because monitoring was not done properly by the banks we have come to this situation. That is why the Finance Minister has taken pains to ensure that monitoring at the highest level in the banks is done regarding loans and other debts and things are set right. That is what the Finance Minister has done. In spite of that you talk of liberalisation! I do not know what the liberalisation here is. I do not think there is any kind of liberalisation as Mr. Gurudas Das Gupta wants to advocate here saying, "This is not to be done, this is to be done". It is not so. This is a very, very simple Bill. As I told you monitoring in the banks must be there. Madam, it is a very simple Bill.

SHRI GURUDAS DASGUPTA: Madam! I deliberately raised certain questions on the Enonimic Policy so that the hon. Minister could reply to them... (*Interruptions*).

SHRI JAGESH DESAI: This can be discussed at the time of Budget debate.. *(Interruptions)*...

SHRI GURUDAS DASGUPTA: The Budget will be discussed in the month of April.

THE VICE-CHAIRMAN (MISS. SAROJ KHAPARDE): Mr. Gurudas Das Gupta, when you were speaking nobody interrupted you... *(Interruptions)*...

SHRI JAGESH DESAI. Madam, there are many larger issues which cannot be discussed here right now. *(Interruptons)*...

THE VICE-CHAIRMAN (MISS. SAROJ KHAPARDE): Mr Gurudas Das Gupta when you were speaking. he never interrupted you. Why are you interrupting him now? *(Interruptions)*

SHRI JAGESH DESAI: That is why, Madam, I want to say that this is a very, very simple Bill. It should be totally welcomed by all the persons. What you want is that sick banks should be merged with healthy banks. I would like to say that the same principle should be applied to other private sector units also. If any private sector unit goes into liquidation or makes losses, the Government has to come in and take it over to give employment to people. If Birla's one unit is sick, Birla's other units should take it over; if Tata's one mill is sick, Tata's good mills should take it over, and the Government, they make it sick and the Government, for the purpose of giving employment, wants to take it over. Whenever a unit becomes sick, they say, now you should take it over. That is why, Madam, I request that henceforth no private bank or industry be taken over by the Government only to give employment Ltd. It be merged with their good units. Madam, had this been done, this situation would not have arisen.

Madam, I would like to mention one thing more. In many banks there are no Directors. We are now filling up these vacancies. If these things are done and if good monitoring is done, this can be stopped. Madam, I do not want to go into the larger issues of banking policies, the private sector, foreign banks and why this scam took pdace, etc. At the time of Budget debate we shall put our views before the House. Let Mr. Biplab Dasgupta put his views. We shall also put our views at that time. I support converting this Ordinance into a Bill. It is a very simple Bill and I request that the whole House should support it. With these words. I thank you, Madam, for giving me an opportunity to speak.

THE VICE-CHAIRMAN (MISS. SAROJ KHAPARDE): Thank you, Mr. Desai. Mr. Virumbi.

SHRI S. VIDUTHALAI VIRUMBI: Madam Vice-Chairman, this Bill seems to replace the Ordinance promulgated during the inter Session period, which was not at all nnecessary. I think this has been brought in only for two purposes. May be they will say that it is a lesson to the banks. It should not be continued. For each and every thing now there is a practice with this Government that they bring in ordinances and see that they are passed in the House, and, more or less, to make them *fait accompli* they are doing this Whenever we have raised some questions, they are not being answered by the Ministries. Regarding the IDBI, I did raise questions. Regarding the composition of the Board of Directors, the Public Accounts Committee had, issued some broad guidelines to the IDBI in the year 1980. May be, it is not relevant to this Bill, but I have to mention it. After 1994, there were no broad issues but we had decided to give full powers to the Board of

Directors. It may lead to the repetition of mistakes that were committed due to the nationalisation of banks.

Regarding auditing also, I am told that it should be transferred to the Comptroller and Auditor-General of India instead of it being given to auditors on the panel accepted by the Reserve Bank of India. But to those points, I could not get any reply from the hon. Minister.

The nationalisation of banks took place on 1969. as everybody knows. In the Statement of Objects and Reasons what they had stated was that clause (c) of Article 39 of the Directive Principles of State Policy stated.

> "That the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."

That is, the State shall, in particular, direct its policy towards securing that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment. It is only based on that principle that the nationalisation of banks took pace in 1969. Dr. Kalaignar, the then Chief Minister of Tamil Nadu, took part in the meeting of the National Development Council and he demanded nationalisation of banks. That request was acceded to by Smt. Indira Gandhi, our late lamented Prime Minister, and nationalisation of banks took place. Madam. the purpose behind this was to avoid the concentration of wealth in a few people, but whether that purpose was served has so be gone through. To the best of our knowledge the purpose has not been served. When I raised the issue regarding the service rendered by the large-scale industries, regarding the exports of commodities, I did not get any reply from the Treasury Benches. But, at the same time, they were able to provide me the information regarding the SSI units. Even the IDBI, about which our arguments and consideration have taken place just now, gives loan to the SSI units only to the tune of 10 per cent of the total production of the SSI units. This is a proven fact. It clearly shows that the IDBI and the nationalised banks always stand for the rich people. When we gave some sort of a relief to the poor people like agriculturists during V.P. Singh's period, we had been criticised that it was against the basic economic policy of the nation. One thing is totally hidden from the people, that is, Rs. 36,000 crores have been held up by the industrialists. If you ask any banks, nobody will give you any particulars regarding this Rs. 36,000 crores. The rich people, the industrialists, after having obtained the loans from the banks, did not repay to the banks to the tune of Rs. 36,000 crores. Now instead of collecting that amount, which is actually being allowed to lie as black money, instead of trying to unearth the black money available in the country, we are actually trying to get foreign investment. We are trying our best to get foreign money. But we failed to unearth the money that is available in this country. In the same way, here also the Government has proposed to empower the banks to reduce or cancel the paid-up share capital to the extent they are lost on account of losses. I am not as intelligent as our Finance Minister is. There is a reserve fund in the bank. Suppose there is a premium on the shares, that premium is actually deposited in the reserve fund. If any profit comes, that profit is actually deposited in the reserve fund. We want to know, suposing any loss is suffered by any bank in spite of reducing the capital, why you don't want to touch the reserve

fund. I would like to know from the Minister whether he thinks that a loss is occurred when the reserve fund is completely eroded. We want to know in what sense the word 'losses' has been used in this Act. Suppose you don't want to touch the reserve fund but you want to touch the paid-up capital, then little by little you are giving powers to the administration in such a way that one day they themselves will eat up the banks. It may not be true today because they will say, "fifty-one per cent is with us". This majority and minority issue is there. Once I pointed out in this august House that those people, who are in minority, could not dominate the administration. It is not easy. We know how this Government, which was a minority Government some two years ago, became a majority Government. If a minority Government can become a majority Government, then the minority shareholders can also become majority shareholders and they can have more powers. In fact, they know how to knock at the backdoors, how to lobby with the officials so that they can get 51%. The people who are having less powers in the Board of Directors adjust with the people who are having more powers. They can do it. They are very experts in doing it. We have seen it in the last 40 years. We know where we stand. What have they done to the nation? What has happened after liberalisation, Madam, you may feel that it does not relate to the subject. But the hon. Minister should know that after liberalisation how much the price of coffee has increased. The price of coffee has gone up very high. People who were exporting coffee were not interested to know about the actual consumption of the coffee in India. They wanted to mint money. Now, take the case of paper. They are exporting paper. There is more than 40 per cent increase in the price of paper. We are not able to buy paper. One day there will be an increase of 60 per cent in its price. Madam, it is a burden on our shoulders. The price of paper has increased after liberalisation. The price, Madam, the price of coffee has increased after liberalisation. But, a lot of tea is available in the country. The Government of India has failed to export tea. Therefore, whatever is in plenty we are unable to export! But things which are needed in the country, are being exported. This is like ralisation! The Government has decided to see that the country is ruined. One day the people will teach them a lesson. With these words, I conclude.

SHRI MANMOHAN SINGH: Madam, I begin by apologising to the House that when the Industrial Development Bank of India (Amendment) Bill, 1994 was being debated upon in this august House, I was not here because I had to pilot another Bill *in the Lok Sabha.*

So far as this Bill is concerned, as my hon. colleague, Shri Jagesh Desai, has pointed out, it is a very simple Bill. It seeks the restructuring of the capital of the bank. It is necessary also. I think this facility is available under the Companies Act to the private banks. We felt that the public sector banks should have that facility.

Now, Shri Viren J. Shah raised some issues. He wanted to know why we chose to issue this Ordinance. The background of this Ordinance is that we had to merge a loss-making bank with the Punjab National Bank. So, the balance-sheet of the combined bank had to be restructured. At one time, and for quite some time, the legal view was that this can be done through amendment of rules and regulations and it does not require amendment of the basic law. But, late in the day, the legal advice that became available to us said, "No, it cannot be done and, therefore, you have to amend the law". This is the background of the Ordinance. I ac-

cept the argument that as far as possible Ordinances should be avoided. But, I assure the House that this was the case where an Ordinance was unavoidable because a restructured balance-sheet of the Punjab National Bank had to be compiled.

The Punjab National Bank is one of our best banks in the country. It was to go to market and without a restructured balance-sheet, the bank would find it difficult to raise the capital on terms and conditions which I think it is entitled to raise and that is the basic justification of the Bill.

SHRI VIREN J. SHAH: I would like to put one question. If it was merged in a normal way where a loss-making company and a profit-making company were merged, would it have adversely affected the PNB going to the market.

SHRI MANMOHAN SINGH: Yes, that is what exactly I am saying because is would have shows losses So, by retiring capital I think we can improve its balancesheet position. So, this is a simple Bill.

Now, in the course of the debate several issues have been raised with regard to the banking policies. There will be ocsasions to dissuss that. But I want to make one or two points quite clear. Shri Viren J. Shah wanted to know whether the financial norms that we have prescribed would in any way affect the productive credit. The proof of the pudding is in the eating. If you look at the expansion of the bank credit to the commercial sector, this itself was increased by over 20 per cent. That difference should convince anybody that what we are doing is in the interest of the banking system. It is in the interest of a healthy economy. If banks are sick, you can take it from me, there is no assurance anybody can give that bank credit can expand. So, what we are doing is in the interest of our industry; it is in the interest of agriculture and it is in the interest of all sections of our society. Sick banking systems cannot either bring about growth or help in the cause of social justice. Another point that Mr. Viren J. Shah had raised was about the monitoring of the banks. I am pleased to inform the House that we have, since, I think, 1992, considerably strengthened the internal monitoring mechanism. The Reserve Bank now has a board for supervision and judging by the results of the banking system in 1993-94, which we have mentioned in the Economic Survey, there is a distinct improvement and I expect that our banks, in 1994-95, will show still better financial results. But I would not say, everything is rosy in the garden of Eden. We have still a Long way to go to improve customer service, to strengthen internal control mechanism, to strengthen the mechanism for inter-branch reconciliation and all that. Therefore, I think, we need the support of this House to strengthen the cause of reforms, without which, I believe, our banking system cannot serve the interests of this country. Shri Vijay Kumar Malhotra brought in the issue of foreign banks. I think, we have, since, our Government came into office, increased the priority sector obligation of the foreign banks. But we have to recognise that foreign banks in this country have one or two branches and it is no use asking them to go to rural areas. We do not allow them to go to rural areas. So, in the light of that, there are certain Limitations. But we have increased, I think the social obligation of foreign banks. Now, Shri Vijay Kumar Malhotra also brought in the question of scam rupees. I think, neither the Punjab National Bank nor the other bank has lost any money in the scam. So, I think this is an issue totally unrelated to the scam. As Shri Jagesh Desai pointed out, it is a simple issue. Now Shri Biplab Das gupta brought out the general atti-

tude of the Government. I have emphasised more than once, before this House and outside, that our Government is nowhere reneging on the social banking aspect of our banking policy. Banks will continue to be in the public sector, in the sense that 51 per cent of bank capital of nationalised banks would continue to be owned by the Government. With regard to the social obligation, we accept that our banks have to have an important social dimentions, that market forces cannot take care of all the tasks of developing our backward economy and that is why contrary to what Shri Biplab Dasgupta was told, there has been no dilution in terms of the obligation of the banking system to put in 40 per cent of their bank credit in the priority sector that consists of agriculure, that consists of retail trade, that consists of small industries and other priority sectors. We will not renege on that commitment. In fact, if you look at my Budget speech, there I have tried to strengthen that part of our obligation to ensure that our banking system continues to have important social dimension to its task. So, the banking system remains an important instrument of our development and on that point there should be no doubt. Now Shri Biplab Dasgupta said, "Why are you disinvesting the IDBI?" The answer is quite simple. We will cntrol the majority euqity of the IDBI. But the IDBI has to expand. The IDBI has undertaken to finance a big project in West Bengal. The IDBI today does not have money, unless it goes to the market to raise that money. So if you want the IDBI to invest in Haldia Petrochemicals, if you want the IDBI to invest in other priority sector projects, then the IDBI must have money. In the past, a considerable part of money was given to the IDBI by the Reserve Bank out of its profits. Now these profits are not available.

If you want the IDBI to grow, to flourish and to serve the cause of industry in this country, then the IDBI has to go to the market and that is the reason why we have brought forward this Bill. But the IDBI would remain a public sector entity and 51 per cent of its total equity will at all times rest with the Government. So, there should be no doubt that in terms of the ovreall objectives of our policies, the Government is committed to steering the banking system in line with the socio-economic objectives of our nation. But we must also recognise that banks can serve the community only if they have the resources. If the resources have to be raised from the market, then we have to amend the statute whereby our banks are enabled to raise the resources from the market and that is precisely what we have done.

Mr. Gurudas Das Gupta brought up a lot of issues. I don't want to comment on the credit standing of an individual house. I have mentioned that there is no dilution of our commitment to the weaker sections. Our commiment is to ensure that agriculture is provided with adequate credit, the small industry is supplied with adequate credit. He has also made a general point that bank credit is being directed for speculative purposes. Well, this year, industrial production is increasing at an average rate of 9 per cent. Bank credit is expanded by nearly 20 per cent. That itself, I think, should convince anybody that industry is growing. It is not speculation that is growing. Industrial production is on an expanding path. The banks are helping by financing the wheels of industry and that, I think, is a good thing. I don't make any apology for that.

Shri Jagesh Desai referred to the problem of bank losses and he was entirely right when he said tha these losses were due to bad debts and that these had to be monitored. Our banks had to pass through various

phases. There was a scheme of loan waiver in 1990. That vitiated the climate recoveries. As Finance Minister, I had to put in about Rs. 5,000 crores in order to compensate the banking system for an ill-conceived experiment. I don't think we should repeat this experiment. The whole House the whole country has to create a climate in which there wild be a premium on repayment of bank dues rather than encoorage a climate that bank credit is a gran and that it does not have to be paid back. Banks are essentially dealers in money. They raise money from the depositors and they lend the same money for various things. If that money does not come back to the banks, then the whole banking system wi l collapse. Therefore, I respectfully request the hon. Members that they should not say or do anything which vitiates the climate for recovery of bank dues.

Shri Jagesh Desai also brought up a general issue and I entirely agree with him that the moral of the story is that in future we shoudd avoid sick public sector units being takin over. Our experience with regard to this has not been very encouraging. I, therefore, entirely endorsed what he said.

Madam, with these words, I request the hon. Members to support this Bill which is not at all a controversial Bill. It is a simple Bill, as my colleague Shri Jagesh Desai and other friends have said.

Thank you very much.

SHRI VIREN J. SHAH: Madam, I have carefully listened to the hon. Finance Minister. We have said in the very beginning that we support the Bill. We opposed it because of our principle that the governance should not be through Ordinances. The hon. Finance Minister agrees that the Government should resort to Ordinances very rarely. I, therefore, assume that so far as his Ministry is concerned, it would not resort to Ordinances. As I have mentioned, the Deputy Chairperson and others who were presiding over the House had stated that recourse to Ordinannes should be taken only in exceptional and inevitable circumstances. I am very glad that the hon. Finance Minister has the same view as I have. In view of his assurance, I am not going to press for my Resolution. The only question in my mind is that if the merger took place on 4th September, 1993, it is unfortunate that the Government had taken such a long time to come to the conclusion that such a Bill was required. It might be because it had to be referred to the Law Ministry. As I said earlier before the Hon. Minister nome, the blame wild not be passed on to the Law Ministry because it does happen that it takes so many months. That is the impression one gets. But, I wish that it was possible that when the merger took place on 4th September, 1993, during the whole of 1994, the Bill in a proper form could have been brought in so that the issuance of the Ordinance could have been avoided. But, in view of the what the hon. Finarce Minister has said, I seek permission to withdraw my resolution.

The Statutory Resolution was by leave, withdrawn.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Now, I will put the motion moved by the Minister to vote.

The question is:

"That the Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 to 4 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI M. V. CHANDRASHEKHAR MURTHY: I beg to move:

"That the Bill be passed.

The question was put and the motion was adopted.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): I would now like to take up the Statutory Resolution... (*Interruptions*).

DR. BIPLAB DASGUPTA: Madam, would you like to pass it today? Don't take it up, please.

SHRIMATI MARGARET ALVA: Madam, we are not passing it today. We are taking it up today for the technical reason that a Bill, which is coming from the other House, has to be reported today to be taken up tomorrow. We are requesting that we sit for a little while and start the discussion. In the next 15 minutes, the Bill is expected. It is with the Speaker office. We are waiting for it.

STATUTORY RESOLUTION SEEKING DISAPPROVAL OF THE SECURITIES LAWS (AMENDMENT) ORDINANCE, 1995 (NO. 5 OF 1995)

AND

THE SECURITIES LAWS (AMENDMENT) BILL, 1995.

SHRI VIREN J. SHAH (Maharashtra): I beg to move:

"That this House disapproves of the Securities Laws (Amendment) Ordinance, 1995 (No. 5 of 1995) promulgated by the President on the 25th January, 1995."

Madam, this again is an unfortunate and a painful ritual of opposing an Ordinance. I have a feeling that in this particular case the Government and the Ministry of Finance are comparatively on a weaker wicket than they were on the previous one. In the previous case, I could understand from what the hon. Finance Minister mentioned about the reasons and I need not dilate on that.

Let us take up the history of this. The Securities and Exchange Board of India was set up in 1991. It was long overdue. When it was set up in 1991, there was no legal authority given to it. The SEBI was set up in 1991, though it was long overdue. But, when it was set up in 1991, there was no legal authority given to it with the result that though there was a Board fully manned with a high-level person like Shri G. V. Ramakrishna as Chairman, it did not have any power in the real sense and I do not know that Mr. Ramkrishna sent a number of memoranda to the Finance Ministry suggesting proper legalisation of this aspect of the creation of the Board and suggesting what powers could be given. As we also mentioned in this very House some years back, the SEBI should be given proper teeth to functon. It took some time, but in 1992, an Act was brought in. And what are we doing by this Ordinance? Though there was an Act in 1992, it could have taken care of everything that is brought about by this Ordinance and by the Bill today. It was perhaps not given enough thought. That is a matter of some regret that it was not given despite more than one such missive of memoranda sent by the then Chairman, Shri G. V. Ramakrishna, to the Finance Ministry. As Mr. Guruda Das Gupta had pointed out, it so happened, and I agree with him there, that certain affected persons, affected in the sense particularly on the stock exchange, the broker community were not happy with Mr. Ramakrishna, because of what they described as high-handed atti-